

**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**

W-02128A  
Hillcrest Water Company  
915 E. Bethany Home Rd.  
Phoenix, AZ 85014

**RECEIVED**

MAR 10 2006

**Z Corporation Commission**  
**Director of Utilities**

**ANNUAL REPORT**

**FOR YEAR ENDING**

|           |           |             |
|-----------|-----------|-------------|
| <b>12</b> | <b>31</b> | <b>2005</b> |
|-----------|-----------|-------------|

**FOR COMMISSION USE**

|              |           |
|--------------|-----------|
| <b>ANN04</b> | <b>05</b> |
|--------------|-----------|

## **COMPANY INFORMATION**

**Company Name (Business Name)** HILLCREST WATER COMPANY

**Mailing Address** 915 E. BETHANY HOME ROAD

PHOENIX

(City)

AZ

(State)

85014

(Zip)

602 265-5914

Telephone No. (Include Area Code)

602 359-6608

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**Local Office Mailing Address** 915 E. BETHANY HOME ROAD

(Street)

PHOENIX

(City)

AZ

(State)

85014

(Zip)

602 265-5914

Local Office Telephone No. (Include Area Code)

602 359-6608

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

## **MANAGEMENT INFORMATION**

**Management Contact:** BARBARA DUNLAP

(Name)

PRESIDENT

(Title)

915 E. BETHANY HOME ROAD

(Street)

PHOENIX

(City)

AZ

(State)

85014

(Zip)

602 265-5914

Telephone No. (Include Area Code)

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**Email Address** \_\_\_\_\_

**On Site Manager:** JACKIE JOHNSON

(Name)

809 CRYSTAL VIEW DRIVE

(Street)

PARKER

(City)

AZ

(State)

85344

(Zip)

928 667-7271

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

☒ Please mark this box if the above address(es) have changed or are updated since the last filing.

**Statutory Agent:** BARBARA DUNLAP

(Name)

915 E. BETHANY HOME ROAD

PHOENIX

AZ

85014

(Street)

(City)

(State)

(Zip)

602 265-5914

602 359-6608

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

**Attorney:** \_\_\_\_\_

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) \_\_\_\_\_

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☒ LA PAZ

☐ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☐ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

**COMPANY NAME** HILLCREST WATER COMPANY

**UTILITY PLANT IN SERVICE**

| Acct.<br>No. | DESCRIPTION                               | Original<br>Cost (OC) | Accumulated<br>Depreciation<br>(AD) | O.C.L.D.<br>(OC less AD) |
|--------------|---|-----------------------|-------------------------------------|--------------------------|
| 301          | Organization                              |                       |                                     |                          |
| 302          | Franchises                                |                       |                                     |                          |
| 303          | Land and Land Rights                      |                       |                                     |                          |
| 304          | Structures and Improvements               | 7,353                 | 3,478                               | 3,875                    |
| 307          | Wells and Springs                         |                       |                                     |                          |
| 311          | Pumping Equipment                         | 7,655                 | 7,655                               |                          |
| 320          | Water Treatment Equipment                 |                       |                                     |                          |
| 330          | Distribution Reservoirs and<br>Standpipes | 56,102                | 11,640                              | 44,462                   |
| 331          | Transmission and Distribution Mains       | 14,455                | 14,455                              |                          |
| 333          | Services                                  | 6,800                 | 6,800                               |                          |
| 334          | Meters and Meter Installations            | 8,598                 | 8,598                               |                          |
| 335          | Hydrants                                  |                       |                                     |                          |
| 336          | Backflow Prevention Devices               |                       |                                     |                          |
| 339          | Other Plant and Misc. Equipment           |                       |                                     |                          |
| 340          | Office Furniture and Equipment            | 1,440                 | 1,440                               |                          |
| 341          | Transportation Equipment                  |                       |                                     |                          |
| 343          | Tools, Shop and Garage Equipment          |                       |                                     |                          |
| 344          | Laboratory Equipment                      |                       |                                     |                          |
| 345          | Power Operated Equipment                  |                       |                                     |                          |
| 346          | Communication Equipment                   |                       |                                     |                          |
| 347          | Miscellaneous Equipment                   |                       |                                     |                          |
| 348          | Other Tangible Plant                      |                       |                                     |                          |
|              | <b>TOTALS</b>                             |                       | <b>54,066</b>                       |                          |

This amount goes on the Balance Sheet Acct. No. 108

**COMPANY NAME** HILLCREST WATR COMPANY

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

| Acct.<br>No. | DESCRIPTION                            | Original<br>Cost (1) | Depreciation<br>Percentage<br>(2) | Depreciation<br>Expense<br>(1x2) |
|--------------|--|----------------------|-----------------------------------|----------------------------------|
| 301          | Organization                           |                      |                                   |                                  |
| 302          | Franchises                             |                      |                                   |                                  |
| 303          | Land and Land Rights                   |                      |                                   |                                  |
| 304          | Structures and Improvements            | 7,353                | 10                                | 434                              |
| 307          | Wells and Springs                      |                      |                                   |                                  |
| 311          | Pumping Equipment                      | 7,655                | 1.5                               | 15                               |
| 320          | Water Treatment Equipment              |                      |                                   |                                  |
| 330          | Distribution Reservoirs and Standpipes | 56,102               | 4.0                               | 2,529                            |
| 331          | Transmission and Distribution Mains    |                      |                                   |                                  |
| 333          | Services                               |                      |                                   |                                  |
| 334          | Meters and Meter Installations         |                      |                                   |                                  |
| 335          | Hydrants                               |                      |                                   |                                  |
| 336          | Backflow Prevention Devices            |                      |                                   |                                  |
| 339          | Other Plant and Misc. Equipment        |                      |                                   |                                  |
| 340          | Office Furniture and Equipment         |                      |                                   |                                  |
| 341          | Transportation Equipment               |                      |                                   |                                  |
| 343          | Tools, Shop and Garage Equipment       |                      |                                   |                                  |
| 344          | Laboratory Equipment                   |                      |                                   |                                  |
| 345          | Power Operated Equipment               |                      |                                   |                                  |
| 346          | Communication Equipment                |                      |                                   |                                  |
| 347          | Miscellaneous Equipment                |                      |                                   |                                  |
| 348          | Other Tangible Plant                   |                      |                                   |                                  |
|              | <b>TOTALS</b>                          |                      |                                   | 2,978                            |

This amount goes on the Comparative Statement of Income and Expense  
Acct. No. 403.

**BALANCE SHEET**

| Acct<br>No. |   | BALANCE AT<br>BEGINNING OF<br>YEAR | BALANCE AT<br>END OF<br>YEAR |
|-------------|---|------------------------------------|------------------------------|
|             | <b>ASSETS</b>                               |                                    |                              |
|             |   |                                    |                              |
|             | <b>CURRENT AND ACCRUED ASSETS</b>           |                                    |                              |
| 131         | Cash  | \$ 16,122                          | \$ 34,642                    |
| 134         | Working Funds                               |                                    |                              |
| 135         | Temporary Cash Investments                  |                                    |                              |
| 141         | Customer Accounts Receivable                |                                    |                              |
| 146         | Notes/Receivables from Associated Companies |                                    |                              |
| 151         | Plant Material and Supplies                 |                                    |                              |
| 162         | Prepayments                                 |                                    |                              |
| 174         | Miscellaneous Current and Accrued Assets    |                                    |                              |
|             | <b>TOTAL CURRENT AND ACCRUED ASSETS</b>     | \$ 16,122                          | \$ 34,642                    |
|             |   |                                    |                              |
|             | <b>FIXED ASSETS</b>                         |                                    |                              |
| 101         | Utility Plant in Service                    | \$ 95,429                          | \$ 95,429                    |
| 103         | Property Held for Future Use                |                                    |                              |
| 105         | Construction Work in Progress               |                                    |                              |
| 108         | Accumulated Depreciation – Utility Plant    | 51,088                             | 54,066                       |
| 121         | Non-Utility Property                        | 6,974                              | 6,974                        |
| 122         | Accumulated Depreciation – Non Utility      | 6,974                              | 6,974                        |
|             | <b>TOTAL FIXED ASSETS</b>                   | \$ 44,341                          | \$ 41,364                    |
|             |   |                                    |                              |
|             | <b>TOTAL ASSETS</b>                         | \$ 60,463                          | \$ 76,006                    |

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

**BALANCE SHEET (CONTINUED)**

| Acct.<br>No. |   | BALANCE AT<br>BEGINNING OF<br>YEAR | BALANCE AT<br>END OF<br>YEAR |
|--------------|---|------------------------------------|------------------------------|
|              | <b>LIABILITIES</b>                                |                                    |                              |
|              | <b>CURRENT LIABILITIES</b>                        |                                    |                              |
| 231          | Accounts Payable                                  | \$                                 | \$                           |
| 232          | Notes Payable (Current Portion)                   |                                    |                              |
| 234          | Notes/Accounts Payable to Associated Companies    |                                    |                              |
| 235          | Customer Deposits                                 | 1,230                              | 1,230                        |
| 236          | Accrued Taxes                                     | 1,890                              | 1,890                        |
| 237          | Accrued Interest                                  |                                    |                              |
| 241          | Miscellaneous Current and Accrued Liabilities     | 39,771                             | 39,771                       |
|              | <b>TOTAL CURRENT LIABILITIES</b>                  | <b>\$ 42,891</b>                   | <b>\$ 130,417</b>            |
|              | <b>LONG-TERM DEBT (Over 12 Months)</b>            |                                    |                              |
| 224          | Long-Term Notes and Bonds                         | \$ 83,932                          | \$ 83,932                    |
|              | <b>DEFERRED CREDITS</b>                           |                                    |                              |
| 251          | Unamortized Premium on Debt                       | \$                                 | \$                           |
| 252          | Advances in Aid of Construction                   |                                    |                              |
| 255          | Accumulated Deferred Investment Tax Credits       |                                    |                              |
| 271          | Contributions in Aid of Construction              |                                    |                              |
| 272          | Less: Amortization of Contributions               |                                    |                              |
| 281          | Accumulated Deferred Income Tax                   |                                    |                              |
|              | <b>TOTAL DEFERRED CREDITS</b>                     | <b>\$</b>                          | <b>\$</b>                    |
|              | <b>TOTAL LIABILITIES</b>                          | <b>\$ 126,823</b>                  | <b>\$ 130,417</b>            |
|              | <b>CAPITAL ACCOUNTS</b>                           |                                    |                              |
| 201          | Common Stock Issued                               | \$ 28,000                          | \$ 28,000                    |
| 211          | Paid in Capital in Excess of Par Value            |                                    |                              |
| 215          | Retained Earnings                                 | ( 94,360)                          | (82,411)                     |
| 218          | Proprietary Capital (Sole Props and Partnerships) |                                    |                              |
|              | <b>TOTAL CAPITAL</b>                              | <b>\$ ( 66,360)</b>                | <b>\$ (54,411)</b>           |
|              | <b>TOTAL LIABILITIES AND CAPITAL</b>              | <b>\$ 60,463</b>                   | <b>\$ 76,006</b>             |

**COMPANY NAME** HILLCREST WATER COMPANY

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

| <b>Acct. No.</b> | <b>OPERATING REVENUES</b>                 | <b>PRIOR YEAR</b> | <b>CURRENT YEAR</b> |
|------------------|---|-------------------|---------------------|
| 461              | Metered Water Revenue                     | \$ 61,365         | \$ 65,433           |
| 460              | Unmetered Water Revenue                   |                   |                     |
| 474              | Other Water Revenues                      |                   |                     |
|                  | <b>TOTAL REVENUES</b>                     | <b>\$ 61,365</b>  | <b>\$ 65,433</b>    |
|                  |   |                   |                     |
|                  | <b>OPERATING EXPENSES</b>                 |                   |                     |
| 601              | Salaries and Wages                        | \$                | \$                  |
| 610              | Purchased Water                           |                   | 608                 |
| 615              | Purchased Power                           | 2,675             | 2,332               |
| 618              | Chemicals                                 |                   |                     |
| 620              | Repairs and Maintenance                   | 9,071             | 990                 |
| 621              | Office Supplies and Expense               |                   | 12,320              |
| 630              | Outside Services                          | 29,027            | 22,563              |
| 635              | Water Testing                             |                   |                     |
| 641              | Rents                                     |                   |                     |
| 650              | Transportation Expenses                   |                   |                     |
| 657              | Insurance – General Liability             | 3,487             | 223                 |
| 659              | Insurance - Health and Life               |                   |                     |
| 666              | Regulatory Commission Expense – Rate Case |                   |                     |
| 675              | Miscellaneous Expense                     | 2,364             | 1,280               |
| 403              | Depreciation Expense                      | 3,132             | 2,978               |
| 408              | Taxes Other Than Income                   | 3,743             | 3,409               |
| 408.11           | Property Taxes                            | 2,088             | 4,156               |
| 409              | Income Tax                                | 50                | 2,486               |
|                  | <b>TOTAL OPERATING EXPENSES</b>           | <b>\$ 55,367</b>  | <b>\$ 53,490</b>    |
|                  |   |                   |                     |
|                  | <b>OPERATING INCOME/(LOSS)</b>            | <b>\$ 5,728</b>   | <b>\$ 11,949</b>    |
|                  |   |                   |                     |
|                  | <b>OTHER INCOME/(EXPENSE)</b>             |                   |                     |
| 419              | Interest and Dividend Income              | \$                | \$                  |
| 421              | Non-Utility Income                        |                   |                     |
| 426              | Miscellaneous Non-Utility Expenses        |                   |                     |
| 427              | Interest Expense                          |                   |                     |
|                  | <b>TOTAL OTHER INCOME/(EXPENSE)</b>       | <b>\$</b>         | <b>\$</b>           |
|                  |   |                   |                     |
|                  | <b>NET INCOME/(LOSS)</b>                  | <b>\$ 5,728</b>   | <b>\$ 11,949</b>    |



**COMPANY NAME** HILLCREST WATER COMPANY

**SUPPLEMENTAL FINANCIAL DATA**

**Long-Term Debt**

|                               | <b>LOAN #1</b> | <b>LOAN #2</b> | <b>LOAN #3</b> | <b>LOAN #4</b> |
|-------------------------------|----------------|----------------|----------------|----------------|
| <b>Date Issued</b>            | 1993           | 1998           | 1999           |                |
| <b>Source of Loan</b>         |                |                |                |                |
| <b>ACC Decision No.</b>       |                |                |                |                |
| <b>Reason for Loan</b>        |                |                |                |                |
| <b>Dollar Amount Issued</b>   | \$ 5,591       | \$ 47,304      | \$ 30,000      | \$             |
| <b>Amount Outstanding</b>     | \$ 5,591       | \$ 47,304      | \$ 30,000      | \$             |
| <b>Date of Maturity</b>       |                |                |                |                |
| <b>Interest Rate</b>          | %              | %              | %              | %              |
| <b>Current Year Interest</b>  | \$             | \$             | \$             | \$             |
| <b>Current Year Principle</b> | \$             | \$             | \$             | \$             |

Meter Deposit Balance at Test Year End

\$1,230

Meter Deposits Refunded During the Test Year

\$

**COMPANY NAME** HILLCREST WATER COMPANY

## **WATER COMPANY PLANT DESCRIPTION**

### **WELLS**

| <b>ADWR ID<br/>Number*</b> | <b>Pump<br/>Horsepower</b> | <b>Pump Yield<br/>(gpm)</b> | <b>Casing<br/>Depth<br/>(Feet)</b> | <b>Casing<br/>Diameter<br/>(Inches)</b> | <b>Meter Size<br/>(inches)</b> | <b>Year<br/>Drilled</b> |
|----------------------------|----------------------------|-----------------------------|------------------------------------|---|--------------------------------|-------------------------|
| 55-501879                  | 3                          | 300                         | 160                                | 6                                       | 3                              | 1982                    |
| 55-554097                  | 3                          | 150                         | 170                                | 6                                       | 3                              | 1996                    |
|                            |                            |                             |                                    |   |                                |                         |
|                            |                            |                             |                                    |   |                                |                         |
|                            |                            |                             |                                    |   |                                |                         |
|                            |                            |                             |                                    |   |                                |                         |

\* Arizona Department of Water Resources Identification Number

### **OTHER WATER SOURCES**

| <b>Name or Description</b> | <b>Capacity<br/>(gpm)</b> | <b>Gallons Purchased or Obtained<br/>(in thousands)</b> |
|----------------------------|---------------------------|---|
| NA                         |                           |   |
|                            |                           |   |

| <b>BOOSTER PUMPS</b> |                 | <b>FIRE HYDRANTS</b>     |                       |
|----------------------|-----------------|--------------------------|-----------------------|
| <b>Horsepower</b>    | <b>Quantity</b> | <b>Quantity Standard</b> | <b>Quantity Other</b> |
| 3                    | 1               |                          |                       |
|                      |                 |                          |                       |
|                      |                 |                          |                       |
|                      |                 |                          |                       |

| <b>STORAGE TANKS</b> |                 | <b>PRESSURE TANKS</b> |                 |
|----------------------|-----------------|-----------------------|-----------------|
| <b>Capacity</b>      | <b>Quantity</b> | <b>Capacity</b>       | <b>Quantity</b> |
| 43,001               | 1               | 85                    | 1               |
| 50,000               | 1               |                       |                 |
|                      |                 |                       |                 |
|                      |                 |                       |                 |

**COMPANY NAME** HILLCREST WATER COMPANY

**WATER COMPANY PLANT DESCRIPTION (CONTINUED)**

**MAINS**

| Size (in inches) | Material | Length (in feet) |
|------------------|----------|------------------|
| 2                |          |                  |
| 3                |          |                  |
| 4                | PVC      | 7,000            |
| 5                |          |                  |
| 6                | PVC      | 2,845            |
| 8                |          |                  |
| 10               |          |                  |
| 12               |          |                  |
|                  |          |                  |
|                  |          |                  |
|                  |          |                  |
|                  |          |                  |
|                  |          |                  |

**CUSTOMER METERS**

| Size (in inches) | Quantity |
|------------------|----------|
| 5/8 X 3/4        | 180      |
| 3/4              |          |
| 1                |          |
| 1 1/2            |          |
| 2                |          |
| Comp. 3          |          |
| Turbo 3          |          |
| Comp. 4          |          |
| Tubo 4           |          |
| Comp. 6          |          |
| Tubo 6           |          |
|                  |          |
|                  |          |

**For the following three items, list the utility owned assets in each category.**

**TREATMENT EQUIPMENT:**

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**STRUCTURES:**

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**OTHER:**

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**COMPANY NAME:** HILLCREST WATER COMPANY

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005**

| <b>MONTH</b>     | <b>NUMBER OF CUSTOMERS</b> | <b>GALLONS SOLD<br/>000</b> | <b>GALLON PUMPED<br/>(Thousands)</b> |
|------------------|----------------------------|-----------------------------|--------------------------------------|
| <b>JANUARY</b>   | 191                        | 419                         | 476                                  |
| <b>FEBRUARY</b>  | 191                        | 320                         | 521                                  |
| <b>MARCH</b>     | 191                        | 443                         | 602                                  |
| <b>APRIL</b>     | 191                        | 679                         | 885                                  |
| <b>MAY</b>       | 191                        | 586                         | 895                                  |
| <b>JUNE</b>      | 191                        | 628                         | 818                                  |
| <b>JULY</b>      | 191                        | 635                         | 1063                                 |
| <b>AUGUST</b>    | 191                        | 473                         | 1189                                 |
| <b>SEPTEMBER</b> | 191                        | 471                         | 917                                  |
| <b>OCTOBER</b>   | 191                        | 572                         | 881                                  |
| <b>NOVEMBER</b>  | 191                        | 573                         | 573                                  |
| <b>DECEMBER</b>  | 191                        | 394                         | 985                                  |
| <b>TOTAL</b>     |                            | 6193                        | 9805                                 |

**Is the Water Utility located in an ADWR Active Management Area (AMA)?**

☐ Yes                      ☒ No

**Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?**

☐ Yes                      ☒ No

**If yes, provide the GPCPD amount:** \_\_\_\_\_

**What is the level of arsenic for each well on your system.**        .03   mg/l  
(If more than one well, please list each separately.)

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

**COMPANY NAME** HILLCREST WATER COMPANY **YEAR ENDING 12/31/2005**

**PROPERTY TAXES**

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 2,298

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**VERIFICATION  
AND  
SWORN STATEMENT**  
Taxes

**VERIFICATION**

STATE OF ARIZONA

I, THE UNDERSIGNED  
OF THE

|  |           |
|--|-----------|
| COUNTY OF (COUNTY NAME)<br>MARICOPA              |           |
| NAME (OWNER OR OFFICIAL) TITLE<br>BARBARA DUNLAP | PRESIDENT |
| COMPANY NAME<br>HILLCREST WATER COMPANY          |           |

**DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION**

FOR THE YEAR ENDING

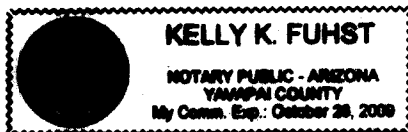
|       |     |      |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12    | 31  | 2005 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



*Barbara Dunlap*  
SIGNATURE OF OWNER OR OFFICIAL

602 265-5914

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 8th DAY OF

(SEAL)

|                         |              |
|-------------------------|--------------|
| COUNTY NAME<br>MARICOPA |              |
| MONTH <u>March</u>      | <u>20</u> 06 |

*Kelly K. Fuhst*  
SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES 10-26-2009

COMPANY NAME HILLCREST WATER COMPANYYEAR ENDING 12/31/2005**INCOME TAXES**

For this reporting period, provide the following:

|   |               |
|---|---------------|
| Federal Taxable Income Reported           | <u>13,596</u> |
| Estimated or Actual Federal Tax Liability | <u>1,652</u>  |

|   |               |
|---|---------------|
| State Taxable Income Reported           | <u>11,393</u> |
| Estimated or Actual State Tax Liability | <u>789</u>    |

Amount of Grossed-Up Contributions/Advances:

|   |                             |
|---|-----------------------------|
| Amount of Contributions/Advances        | <u>                    </u> |
| Amount of Gross-Up Tax Collected        | <u>                    </u> |
| Total Grossed-Up Contributions/Advances | <u>                    </u> |

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Barbara Dunlap  
SIGNATURE

3/8/06  
DATE

Barbara Dunlap  
PRINTED NAME

PRESIDENT  
TITLE

RECEIVED

MAR 10 2006

VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only

Arizona Corporation Commission  
Director of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

|                                |
|--------------------------------|
| COUNTY OF (COUNTY NAME)        |
| MARICOPA                       |
| NAME (OWNER OR OFFICIAL) TITLE |
| BARBARA DUNLAP                 |
| COMPANY NAME                   |
| HILLCREST WATER COMPANY        |

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

|       |     |      |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12    | 31  | 2005 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$68,842

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 3,409  
IN SALES TAXES BILLED, OR COLLECTED)

**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

*Barbara Dunlap*  
SIGNATURE OF OWNER OR OFFICIAL  
602 265-5914  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

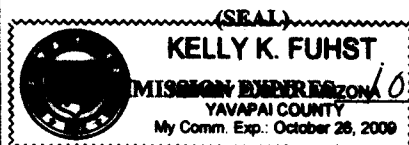
A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

8th

DAY OF

|             |       |      |
|-------------|-------|------|
| COUNTY NAME |       |      |
| MARICOPA    |       |      |
| MONTH       | March | 2006 |



*Kelly K. Fuhst*  
SIGNATURE OF NOTARY PUBLIC



RECEIVED

VERIFICATION  
AND  
SWORN STATEMENT  
**RESIDENTIAL REVENUE**  
**INTRASTATE REVENUES ONLY**

MAR 10

Corporation Commission  
Director of Utilities

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

|   |                    |
|---|--------------------|
| COUNTY OF (COUNTY NAME)<br>MARICOPA         |                    |
| NAME (OWNER OR OFFICIAL)<br>BARB ARA DUNLAP | TITLE<br>PRESIDENT |
| COMPANY NAME<br>HILLCREST WATER COMPANY     |                    |

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION  
FOR THE YEAR ENDING

|       |     |      |
|-------|-----|------|
| MONTH | DAY | YEAR |
| 12    | 31  | 2005 |

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$68,842

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 3,409  
IN SALES TAXES BILLED, OR COLLECTED)

\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.

*Barbara Dunlap*  
SIGNATURE OF OWNER OR OFFICIAL

602 265-5914

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

8<sup>th</sup>

DAY OF

|   |                     |
|---|---------------------|
| NOTARY PUBLIC NAME<br><i>Kelly K. Fuhst</i> |                     |
| COUNTY NAME<br><i>Maricopa</i>              |                     |
| MONTH<br><i>March</i>                       | YEAR<br><i>2006</i> |



*Kelly K. Fuhst*  
SIGNATURE OF NOTARY PUBLIC



**Check Images**  
Statement period: Nov 01-Nov 30, 2005  
Account number: 081-7322902  
Image page: 5 of 5

2499

HALF CRYSTAL WATER CO.  
404 S. HIGHWAY 100E, BOX 10  
PUEBLO, AZ 86444

DATE 11-16-0

ELLEN SÖLPER  
LA PAM COUNTY TREASURER

2,298.00

Two thousand two hundred ninety eight & 00/100 DOLLARS & 00/100

FOR: Half Crystal Water

0022499 4122105278 4041732290 2 0000229820

FOR DEPOSIT ONLY  
BANK OF AMERICA  
282461619

71 16 05  
ELEN BOUR  
LA PAZ COMM  
TREASURE

003M 02456

JUN 16 1971

MIL F BUREAU  
RECEIVED JUN 16 1971

3256543056

U.S. AIR FORCE  
12-1-65-27-8  
0737502036

DATE: JUN 16 1971

REF#0737502036 CK# 2499 2298.02

**HOFMANN  
&  
COMPANY, P.C.**

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2777 E. Camelback Road, Suite 300  
Phoenix, Arizona 85016-4302  
Telephone (602) 760-2805  
Facsimile (602) 760-2917

To the Board of Directors  
Hillcrest Water Company  
Phoenix, Arizona

We have compiled the balance sheets of Hillcrest Water Company (a corporation) as of December 31, 2005 and 2004, and the related statements of income and retained earnings for the years then ended included in the accompany prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission – Utilities Division information that is the representation of management (the owners). We have not audited or reviewed the financial statements referred to above and, accordingly, do not express an opinion or any other form of assurance on them.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Arizona Corporation Commission – Utilities Division which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

**HOFMANN & COMPANY, PC**

March 7, 2006